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LIBYA: President Qadhafi's anti-US harangue yesterday was primarily aimed at placing maximum pressure on US oil companies either to accept Libya's demands for 100-percent participation or be nationalized.

Characteristically, Qadhafi linked the issue of US policy in the Middle East, and specifically US reconnaissance flights off the Libyan coast with the oil negotiations. He warned that the time had come to confront US "challenges" and implied that a major showdown with US oil companies could be at hand. The Libyans rejected an offer by the companies for a 50-50 joint operating agreement earlier this week. In an attempt to maximize the impact of Qadhafi's speech, the Libyans set today as the deadline for counterproposals.

The nationalization yesterday of Bunker Hunt was obviously intended to underscore Qadhafi's threats, but the announcement is not likely to alarm the other companies. Bunker Hunt has been operating without a formal agreement since its former partner, British Petroleum, was nationalized in 1971, and company officials have been anticipating a take-over for some time. Moreover, the company accounts for only 5 percent of Libyan oil production and its nationalization will not cause the Libyans a serious economic burden.

Despite Qadhafi's pressure, the major companies will probably be unwilling to go beyond their latest offer. If the major producers can convince the smaller companies to present a united stand, they may be successful in keeping the negotiations open.

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FOR THE RECORD*

Arms Control: The 25-nation Geneva disarmament talks, co-chaired by the US and the USSR, resume today after a six-week recess. Prime topics are a ban on chemical weapons and further limits on nuclear testing. [REDACTED]

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**This item was prepared by CIA without consultation with the Departments of State and Defense.*

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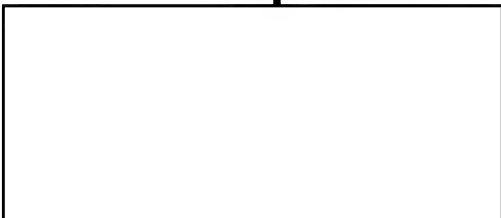
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